

# Education and Earnings

Does going to school pay off? Most people think so. Currently, almost 85% of people 18 and older graduate from high school and nearly 60% of high school seniors continue on to college the following year. People decide to go to college for many reasons. One of the most compelling is the expectation of future economic success based on educational attainment.

## Education and Earnings

In 2005, over 85% of Missouri adults ages 25 and over had at least completed high school; 25% had a bachelor's degree or higher. In 1975, 63% of adults had a high school diploma, and 14% had obtained a bachelor's degree. Much of the increase in educational attainment levels of the adult population is due to a more educated younger population replacing an older, less educated population. As more and more people continue their schooling, this more highly educated population pursues opportunities to enter into occupations yielding higher returns in earnings.

In the U.S., adults ages 18 and older in 2004 earned an average mean income of \$34,626 per year. Average earnings ranged from \$16,485 for high school dropouts to \$26,156 for high school graduates, \$49,656 for college graduates, \$65,190 for master degree graduates, and \$104,299 for workers with professional degrees (M.D., J.D., D.D.S., or D.V.M.). With the exception of workers with professional degrees who have the highest average earnings, each successively higher education level is associated with an increase in earnings.

Over the past 30 years, earnings differences have grown among workers with different levels of educational attainment. In 1975, full-time, year-round workers with a bachelor's degree had 1.6 times the annual mean earnings of workers with only a high school diploma. By 2004, this ratio had risen to 1.8. Workers with an advanced degree, who earned 2.1 times the earnings of high school graduates in 1975, earned 2.7 times the earnings of workers with a high school diploma in 2004. During this same period, the relative mean earnings of the least educated worker fell. While in 1975, full-time, year-round workers with a high school diploma earned 1.3 times the earnings of workers without a high school diploma; by 2004, they were earning only 1.5 times the average earnings of workers without a high school graduates.

## Gender, Education and Earnings

Among people ages 25 and older, the percentage of men and women with a bachelor's degree has increased sharply over the past 30 years, with women narrowing the gap. In 1975, 18% of men and 11% of women had attained a bachelor's degree or higher. By 2005, 29% of men and 27% of women had a bachelor's degree or higher. Additionally, 85% of both men and women had completed high school in 2005, up from 63% for men and 62% for women in 1975.

Men had higher average earnings than women with similar educational attainment. Among full-time, year-round workers ages 18 and over, male's mean earnings were \$17,317 higher than females in 2004 for all education levels. This wage gap became markedly greater with each increased level of educational attainment. For those without a high school diploma, the male female difference was \$8,882; for high school graduates, the difference was \$12,127; for those with a bachelor's degree, the difference was \$24,977; and for advanced degrees, males made on average of \$43,232 more than their female counterparts. This pattern of male and female earnings discrepancy is not new. In 1975, the earnings difference between males and females for all education levels was \$6,123.

*Source: U.S. Census Bureau*

## Missouri Women's Council

301 W. High Street ~ Suite 680 PO Box 1684 ~ Jefferson City, MO 65101

Toll free in Missouri: (877) 426-9284 ~ Phone: (573) 751-0810 ~ Fax: (573) 522-5005

Website: [www.womenscouncil.org](http://www.womenscouncil.org) ~ E-mail: [wcouncil@ded.mo.gov](mailto:wcouncil@ded.mo.gov)

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At both the high school and bachelor's attainment level, the mean earnings of younger women and men (25 to 34 years) are relatively close. Women earn just over four-fifths of men's earnings for high school or GED graduates and three-fourths of men's earnings for bachelor's degrees. However, for workers with a bachelor's attainment, the earnings difference between men and women becomes more pronounced as workers age. While women bachelor's degree earners from 25 to 34 can expect to make about 75 percent of men's earnings, women ages 45 to 64 make on average just 64 percent of male's earnings.

Numerous events over one's work life may account for the expanding wage gap with age, such as continuous participation in the labor force, commitment to career goals, competing events, discrimination, and promotions. These and other factors may lower the earnings of women relative to men, and these differences play out dramatically with total work life earnings.

On average, a man with a high school education will earn about \$2.2 million from ages 25 to 64 years. This compares with about \$2.9 million for men completing a bachelor's degree and \$5.6 million for men with a professional degree. Further, men with less than a high school education will earn an average of \$1.2 million.

Women in the same age group completing high school will also earn an average of \$1.2 million, about 60 percent less than the estimated \$2 million for women completing a bachelor's degree. The work life payoffs for women with professional (\$3.3 million) and doctoral (\$3.2 million) degrees, though substantial, lag markedly behind those of men with the same educational attainment.

The cumulated difference between men and women amounts to about \$325,000 for high school dropouts. The difference increases to \$465,000 for high school graduates and to about \$970,000 for bachelor's degree holders. Men with professional degrees may expect to earn almost \$2.3 million more than their female counterparts over their work life.

### **Race, Education, and Earnings**

Educational attainment differs significantly by race and Hispanic origin. Among adults 25 years old and over in 2005, 90% of non-Hispanic Whites, 88% of Asians, 59% of Hispanics and 81% of Blacks attained at least a high school diploma. Similarly, 31% of non-Hispanic Whites, 50% of Asians, 12% of Hispanics and 18% of Blacks had received a Bachelor's degree. Even accounting for these large differences in educational attainment by looking at earnings within each education category, earnings differences persist and can accumulate dramatically over a 40 year work life.

Whites earn more than Blacks or Hispanics at every level of educational attainment. For example, among full-time, year-round workers with a high school education, Whites will earn an average of \$1.5 million during their work life, compared with about \$1.2 million earned by Blacks and \$1.3 million for Hispanics. At the bachelor's level, Whites can expect total earnings of about \$2.6 million, compared with \$1.9 million for Blacks and \$2.2 million for Hispanics.

While Asians earn less than Whites with similar educational attainment at the high school graduate level and the bachelor's level, Asians at the three age levels where data is available (ages 25 to 34, 35 to 44 and 45 to 54) with master's degrees have higher earnings than Whites. They can expect to make on average \$12,000 more than their White counterparts for the age groups. Among full-time, year-round workers with a high school diploma or bachelor's degree, Asians will earn about \$135,000 and \$400,000 less, respectively, than Whites during their work life.

Though on average work life earnings are lower for Blacks and Hispanics than Whites of the same educational attainment level, the educational investment still pays off. Black workers with less than a high school education would earn less than a million dollars during their work life, increasing to \$1.2 million for workers with a high school education, \$1.9 for a bachelor's degree, and \$2.5 million for a master's degree. Likewise, Hispanic work life earnings also reflect this ascending outcome. Thus, regardless of race or ethnicity, higher educational attainment equates to higher earnings.